

UNITED STATES INTERNATIONAL TRADE COMMISSION

APPAREL INPUTS IN “SHORT SUPPLY”: POLYESTER-WOOL YARNS

Investigation No. 332-428-007

June 2001



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-007

Products	Apparel of certain polyester-wool yarns
Requesting Party	Stillwater Sales, Inc./Metcalf Bros. & Co., Goshen and Augusta Springs, VA
Date of Commission Report: USTR Public	June 27, 2001 June 2001
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JUNE 27, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (*)**

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible Caribbean Basin and sub-Saharan African countries from certain polyester-wool yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns, U.S. apparel firms producing the apparel domestically, and their workers, but would likely benefit U.S. producers of fabrics made from such yarns and U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).¹

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on May 11, 2001, alleging that certain yarns of 55-percent polyester staple fibers and 45-percent combed wool cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible AGOA and CBTPA beneficiary countries from woven fabrics produced in the United States from such yarns, regardless of the source of the yarns. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on

¹ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Brief discussion of products

The yarn named in the petition is classified in subheading 5509.52.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for yarn (other than sewing thread and not put up for retail sale) of polyester staple fibers, mixed mainly or solely with wool or fine animal hair. The petitioner processes (weaves) the subject yarns into woven fabrics that it markets to producers of "specification uniforms" and related career apparel, such as uniform jackets, shirts, and trousers for police officers. The general rates of duty on the principal types of apparel made from the subject yarns (shirts and trousers) range from 14.6 percent to about 22 percent ad valorem. However, the short supply petition, if granted, would apply to any type of apparel of HTS chapter 62 (apparel, not knitted or crocheted) that is made in eligible beneficiary countries of U.S.-produced woven fabrics made from the subject yarns.

The petitioner, Stillwater Sales, Inc./Metcalf Bros. & Co. (Stillwater/Metcalf), states that the uniform industry has consistently required fabrics in an intimate blend³ of 55 percent polyester - 45 percent worsted wool in its specification for uniforms.⁴ The subject yarns are produced on the worsted yarn-spinning system whereby spun yarns are manufactured from natural fibers or cut lengths of manmade-fiber filaments. These "staple," or short, fibers undergo carding, combing, drafting, and spinning.⁵ The subject yarns may also be manufactured from wool top and polyester staple or from pre-blended 55 percent polyester staple - 45 percent worsted wool top.

Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are yarn spinners, fabric manufacturers, and apparel producers. According to an industry source, the one known firm believed to make the subject yarns currently, primarily for internal use, is Burlington Performance Wear, Division of Burlington Industries, Inc. (Burlington), Greensboro, NC.⁶ Burlington has vertically integrated domestic operations to spin polyester staple fiber and worsted wool into the subject yarns, weave the yarns into fabrics, and market the finished fabrics. Burlington employs approximately *** workers in North Carolina and Virginia in this business unit. Burlington's overall production capacity for 55 percent polyester - 45 percent wool worsted yarn ***.⁷ ***.⁸ Burlington stated that it has the capability and the unused capacity to spin ***.⁹ Burlington indicated it had *** of the

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

³ A technique of mixing two or more dissimilar fibers in a very uniform mixture.

⁴ Petition and written submission received by CITA from Harvey B. Fox, Adduci, Mastriani & Schaumberg, L.L.P., Washington, DC, counsel for petitioner, May 10, 2001 and June 6, 2001, respectively.

⁵ Carding serves to disentangle the fibers to prepare them for spinning, and is done by passing the fibers between rollers covered with fine wire teeth. This step produces wool in the form of a loose, untwisted, rope-like "sliver." Combing serves to remove the shorter fibers and further align the longer ones, to produce "tops," a smoother, more uniform sliver suitable for spinning into worsted yarn. See U.S. Customs Service, "Fibers and Yarns: Construction and Classification Under the HTSUS," *Customs Bulletin and Decisions*, vol. 34, No. 52, Dec. 27, 2000, p. 127.

⁶ Jim Leonard, Advisor on International Trade Issues, telephone interview by Commission staff, May 22, 2001.

⁷ ***, e-mail submission to Commission staff, June 6, 2001.

⁸ ***, telephone interview by Commission staff, June 18, 2001.

⁹ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

subject polyester-wool yarns to ***.¹⁰ Burlington also ***.¹¹ Burlington noted that it has the capability and capacity¹² to provide ***.¹³

Other U.S. yarn producers with the possible capability of producing the subject yarns were also identified and contacted.¹⁴ *** stated it has spun the subject yarns ***.¹⁵ *** spins the subject yarn *** assuming the customer was creditworthy.¹⁶ ***, has subject yarn production capability of approximately *** pounds per year depending on yarn sizes and twist levels. ***.¹⁷ *** stated that it has the capability and capacity to produce the subject yarns, desires market segment entry, and projects production of the subject yarns within a month, dependent upon quantity requirements. ***.¹⁸

Stillwater/Metcalf and Burlington are the only known U.S. producers of fabrics made from the subject yarns. These firms sell fabrics woven from the subject yarns to U.S. apparel companies that assemble the garments domestically or in CBTPA countries. The overall domestic market for fabric woven from 55 percent polyester - 45 percent wool worsted yarn is estimated to be ***.¹⁹ Imports of fabric manufactured from the subject yarn are unknown.

The fabric woven from the subject yarns is used primarily in the manufacture of tailored apparel for men and women and in uniform components for the military, public safety, and transportation industries. There are estimated to be 10 to 20 significant U.S. producers that manufacture apparel made from the subject polyester-wool yarns. Apparel producers ***.²⁰ Fabric woven from non-U.S. yarn may not meet U.S. military uniform specifications, as U.S. military uniforms must be made in the United States from entirely U.S.-sourced components.²¹ ***.²² Other apparel manufacturers stated they would consider purchasing fabric woven from foreign-produced yarns if it proved cost effective and met specification requirements, and if apparel articles made from such yarns were eligible for CBTPA duty-free treatment.²³

¹⁰ ***, ***, ***, and ***. Telephone interviews by Commission staff, June 25, 2001.

¹¹ ***, telephone interview by Commission staff, May 22, 2001, meeting with Commission staff, May 31, 2001, and e-mail submission to the Commission from ***, June 6, 2001. ***, and ***. Telephone interviews by Commission staff, June 25 and 26, 2001.

¹² ***.

¹³ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

¹⁴ David Trumbull, Northern Textile Association, telephone interview by Commission staff, May 22, 2001.

¹⁵ ***, telephone interview by Commission staff, May 23, 2001.

¹⁶ ***, telephone interview by Commission staff, May 23, 2001.

¹⁷ ***, telephone interview by Commission staff, May 24, 2001.

¹⁸ ***, telephone interview by Commission staff, June 13, 2001.

¹⁹ ***, telephone interview by Commission staff, June 18, 2001, and ***. ***, telephone interview by Commission staff, June 19, 2001.

²⁰ ***, telephone interview by Commission staff, June 13, 2001, and ***. ***, telephone interview by Commission staff, June 12, 2001.

²¹ The "Berry Amendment," enacted as Title IX of Public Law 102-396, as amended, requires U.S. military procurement of uniforms, among other products, to be manufactured in the United States from U.S.-produced components.

²² ***, telephone interview by Commission staff, June 18, 2001.

²³ ***, telephone interview by Commission staff, June 12, 2001, and ***. ***, telephone interview by Commission staff, June 13, 2001.

Views of interested parties

The only written statement filed with the Commission concerning this review was from Burlington, which states that while it primarily spins the subject yarns for internal use, the firm has unused capacity and the ability to spin these yarns for outside consumption, and is willing to do so. Burlington further states there are several other U.S. textile companies with the capacity and capability to spin worsted yarns, and that for such companies, Burlington can supply the required raw materials. Burlington expresses concern that granting the proposed preferential treatment for apparel made from imported components, in the face of existing U.S. component capacity, would come at the expense of domestic producers.²⁴

Probable economic effect advice²⁵

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel articles made in eligible AGOA and CBTPA beneficiary countries from the subject yarns, regardless of the source of the yarns, would likely have some adverse effect on U.S. producers of such yarns and their workers. The expected increase in U.S. imports of the subject yarns would likely displace some domestic production of the yarns. The extent to which this displacement occurs depends on the reliability of sources of supply and any quality differences relative to price differences for U.S. firms using the imported yarns. Although information on the quality, price, and delivery time of imported yarns was not readily available, it is believed that differences between domestic and imported yarns are likely to be small ***.

The proposed preferential treatment would likely benefit U.S. producers of fabrics made from the subject yarns, and their workers, by spurring demand for the U.S. fabrics for use in the production of apparel products under the AGOA and CBTPA programs. The proposed preferential treatment would also benefit U.S. and other apparel firms making garments in eligible AGOA and CBTPA beneficiary countries from the subject yarns, regardless of the source of the yarns. The proposed preferential treatment would likely have some adverse effect on U.S. firms making garments domestically, and on their workers. U.S. consumers of apparel made from the subject yarns would benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive "specification uniform" market.

²⁴ Written submission to the Commission from Harry G. Barto, President, Burlington Performance Wear, Greensboro, NC, June 1, 2001.

²⁵ The Commission's advice is based on information currently available to the Commission.